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SUBJECT: DPM SALEH'S GRAND BARGAIN--KURDS NEED SUNNIS;
THREE-STEP PROCESS TO REDUCE NORTHERN BORDER TENSION

Classified By: Ambassador Ryan C. Crocker for reasons 1.4 (b) and (d).

I1. (C) During a two-and-one-half hour discussion on February 20, Deputy Prime Minister (DPM) Barham Saleh told Ambassador Crocker and Special Adviser Pearce that both Massud and Nechirvan Barzani would shortly arrive in Baghdad for lengthy stays. Saleh emphasized that the USG must act as the maestro and keep the parties focused on solving the current crisis among Iraq's political leaders. The DPM took a maximalist view on Article 140 issues, saying that boundaries must be defined and the status of Kirkuk clarified by June. The Special Adviser observed that the thrust of the UN letter and the Article 140 process generally was to focus the parties and prompt faster work, but not to hem them in (again) with a deadline. Saleh emphasized that no one should underestimate the danger of allowing another deadline to lapse. Ambassador Crocker urged a pro-active KRG role in reducing tensions with Turkey, starting with a strong statement from the KRG that the KRG is not welcome in the KRG, followed by the establishment of a GOI/KRG/USG joint operations center, and finally taking advantage of a possible invitation from President Gul to President Talabani that would also explicitly include senior KRG leaders to visit Turkey for in-depth discussions. End summary.

The DPM'S Overview - The Grand Bargain

I2. (C) Barham Saleh reported that both Massud and Nechirvan Barzani would soon arrive in Baghdad for extended (up to one month) stays. Massud is increasingly cognizant that everything hinges on what happens in Baghdad and the Kurdish side's advice to the USG is to not let the process "move from dinner to dinner, but provide focus so the issues can be solved." The crisis is not over and matters are increasingly polarized between those who demand a change of government and those who will fight for the status quo. Key PMO players, whom the DPM did not identify, appear especially intent on dragging things out until it is too late to do anything about changing the government. Ambassador Crocker cautioned that the USG cannot both play the role and write the play and urged the Iraqis to provide first drafts of the way forward on complex issues. The DPM replied that Iraqis have the drafts, but the USG had a crucial role in getting the parties to the table. It is important that the Prime Minister not think he has a blank check from the USG. 2008, and especially the next three months, would be crucial; Iraq will be beyond salvage in 2009 and cannot continue to run under the present arrangement.

I3. (C) Saleh assessed that now is the crucial time for the "Grand Bargain." Iraq is going down the federal road -- the DPM's conversations with Basrah Governor Wa'eli revealed substantial public support for Basrah to declare itself a single-province region which might then expand to encompass Maysan and Dhi Qar. Although the scheme would stop short of establishing the Shi'a "Super Region" advocated by ISCI

heir-apparent Ammar al-Hakim, it is a harbinger of things to come and one of the variables the parties should anticipate during the coming months.

¶4. (C) Special Adviser Pearce asked if leaders were thinking about trade-offs and the DPM answered that trading was a basic notion in Iraqi politics (he mentioned Kurdish compromises on budget auditing issues, and Vice President Abdel Mehdi's reservations about the Provincial Powers Law), but assessed that all political actors were now posturing. The USG must be a maestro that pushes compromise -- it had already played that role by bolstering UN credibility in the 140 process and should do the same on other issues such as the northern border crisis with Turkey.

Hydrocarbons/Article 140

¶5. (C) The DPM said he liked UN Special Representative Staffan De Mistura's incrementalist approach to Article 140 issues. Settling disputes in places like Makhmour, where the issues are less controversial, then moving to more contentious areas is essential to cement the process' credibility. The Special Adviser wondered about the order of Kurdish priorities (territories or oil) and Saleh replied that the perspective from Erbil is one of siege. While the February 2007 version of the Oil Law was probably still acceptable, revenue-sharing was considerably more difficult, although all parties agreed oil revenues would pass through the center (Baghdad). The problem is that Oil Minister Ali Sharistani is not interested in comprehensive hydrocarbons legislation, only in buy-back agreements. Sharistani does not push for increased Iraqi production and willingly uses

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fuel and electricity as leverage against the KRG -- Saleh mentioned that many parts of the KRG, which are centrally supplied from Baghdad, only receive one or two hours of electricity daily.

¶6. (C) Turning to the territorial issue, the DPM thinks "a Kurdish state is our right," but the Kurdish leadership realized this was neither practical nor achievable and their future lay in defining their place as part of Iraq. Massud and Nechirvan Barzani have no interest in the city of Mosul, which has always been an Arab city. He said reports of Kurdish expansionism in Mosul are untrue and in fact it is the Kurds who are being evicted and killed. The Kurds, however, have to be realistic and settle hydrocarbons legislation and Article 140 issues in a way that does not appear as a double Kurdish victory. To do this, the parties must outline, with USG guidance, an equitable process.

¶7. (C) The Special Adviser asked about the Sunni equities in problems Saleh was defining primarily in Kurdish terms. Saleh replied that Kurds and Sunnis shared some goals and had recently acted in concert nationally on the budget, and locally in Mosul, where City Council Kurds were cooperating with Council IIP members to deal with allegations of Kurdish excesses on the ground. Ambassador Crocker suggested that Kurdish overreach may have created space for AQI to infiltrate Mosul and begin operations against Kurds. The DPM admitted that the reaction triggered by Kurdish overreach was a stern warning that the Kurds must be more inclusive in their outlook. The Kurds "don't want to be the Jewish state within Iraq" and had to do a better job of explaining their message, which needs "re-tuning" to avoid the appearance of arrogance. But on the Kurdish side even these modest steps are controversial.

Gang of Four Dead, Kurds Need Sunnis

¶8. (C) The Special Adviser asked if common cause against

Iranian meddling could not be one basis for rapprochement between Kurds and Sunnis. According to the DPM, Iran and religious fanaticism are Iraq's fundamental problems and in this sense the Sunnis and the Kurds are natural allies. The Kurds should do a better job of reaching out to Ba'athist former technocrats and professionals, and of finding creative ways to bring them back into the system. The signing of the "Gang of Three" (KDP/PUK/IIP) agreement in late December was significant and the Kurds recognize the need to extend their overtures to include "Awakening" movements. He said they have already made a good start -- demonstrated by "Awakening" leaders' recent meeting with President Talabani. For the first time since the fall of Saddam, the Kurds need the Sunnis and they realize that unless they find common ground on the major issues, within two years anti-American, anti-Kurdish religious fanatics will dominate Iraqi politics.

The Gang of Four (ISCI, Dawa, KDP, PUK) is dead, and balance is the name of the game for a Kurdish side which is more ready to deal with other parties.

¶9. (C) Ambassador Crocker then asked for the Kurdish position on elections if the Article 140 process is incomplete by the time of (anticipated) October elections. Saleh's immediate reply was that the Kirkuk issue will be settled by June. The Special Adviser noted June was not a deadline, and Article 140 was not only about Kirkuk but the wider issue of Kurd-Arab relations and disputed territories all over the country. The DPM maintained that the UN letter called for the matter to be resolved by June and that if the process did not yield results there was a danger people would take matters into their own hands. The Special Adviser observed that the thrust of the UN letter and the Article 140 process generally was to focus the parties' best efforts and to work quickly; but not to hem them in (again) with a deadline (Note: the UNAMI announcement spoke of facilitating a process of implementation within six months. However, Kurdish leaders have often spoken publicly in terms of resolution within six months. End note). Saleh said the primary issues were border definition -- which the UN is working on -- and agreement on the final status of Kirkuk. There already was a process -- Article 140 of the Constitution -- which the U.S. had supported and which outlined requirements. Missing the June target would make things very difficult, and no one should underestimate the dangers inherent in not addressing the Kirkuk issue by the end of June.

¶10. (C) The Special Adviser stressed that the elements of the political process involving hydrocarbons legislation, Article 140 issues, and elections would begin falling into place in the next few months, but the key point was that Article 140 issues could not be resolved on their own. The

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DPM conceded that politically it was a good idea to craft an inclusive solution, but for the Kurds, Article 140 stood alone. Kurdish leadership must deliver to the Kurdish public tangible progress on Article 140 to provide bargaining room on hydrocarbons issues. To Ambassador Crocker's question about Sunni equities in this, the DPM said increased Sunni/Kurd cooperation on budget and other issues proved that the two sides could work together and will have to if they want to blunt the sectarian Islamist push that threatens Iraq.

Turkey

¶11. (C) The DPM reported that the senior Kurdish leadership's mood was not good. The Kurdish public is asking more questions about the USG's role in Turkish raids into Northern Iraq. The whole amounts to "a big accident waiting to happen." Turkish Foreign Minister Babacan is "not too intelligent" and unwilling to explore accommodation. The Turkish General Staff will seize any pretext; nothing the KRG does will prevent the Turks from resorting to a military

solution. Ambassador Crocker pointed out that no one was sure what the KGK would accept. Saleh thinks Iran and Turkey are using the KGK as a "game piece" to undermine the KRG. The U.S., he chided, appears to be playing along -- designating the PKK as a terrorist organization when it has "never done anything to the U.S." KGK leadership wants to talk but do not see anyone on the Turkish side with whom they can negotiate.

¶12. (C) The Ambassador stressed that KGK actions narrowed the GOT's range of options. Saleh conceded the point, adding it would be a good idea to attempt to re-invigorate the trilateral committee. Massud Barzani has already made an important step by calling on KRG political parties to issue a joint declaration condemning PKK violence; the Turks responded with air raids. The KGK is prepared to renounce violence and would welcome a political settlement if they see the light at the end of the tunnel, but the Turkish General Staff will use force no matter what the Kurdish side does. Besides, Saleh continued, what would the KGK gain from continued violence? Ambassador Crocker told him they likely hoped to trigger a Turkish military response that would inflame Turkish Kurdish sentiment and re-ignite Turkey's domestic Kurdish insurgency.

¶13. (C) The Special Adviser asked if ordinary Kurds viewed KGK violence as a helpful or harmful. Saleh explained that many felt the Turks were blackmailing the KRG. People sympathize with the KGK, but do not want an escalation of violence. The KRG public thinks the Turks will press their agenda regardless of the KRG actions and increasingly perceive the USG as, at best, indifferent or, at worst, facilitating Turkish strikes. But as worried as people are, they are unwilling to sacrifice the KRG for the KGK. Ambassador Crocker reminded the DPM that if the U.S. is forced to choose between the Turks and the Kurds, it will side with the Turks.

¶14. (C) The DPM remarked the crisis made the Baghdad government more relevant in the KRG and Ambassador Crocker noted Prime Minister Maliki does not get enough credit for underscoring at the November Neighbors Ministerial in Istanbul that the crisis was an Iraqi problem that involved core Iraqi equities. Saleh tempered this, saying public sentiment in the North still depicts Maliki scheming with Ankara to pressure the KRG. The GOT is fundamentally against the KRG experiment, but Iraq and the KRG are stuck with their neighbors and must do more to end the crisis. The KRG public is tired of Turkish aggression, want a good-faith Turkish interlocutor, but also need USG protection and assistance with arranging a cease fire and follow-on measures.

¶15. (C) Ambassador Crocker commented that the initial half-hearted action the KRG took against the PKK undermined USG engagement with the GOT. Saleh pressed for suggestions but pointed out that the KRG would not go around arresting KGK officials because the Turks immediately requested they be turned over -- an unacceptable demand. Crocker said the KRG has to remove the ambiguity and assure the Turks that both governments sought the same thing -- peaceful accommodation on their respective sides of the border. The KRG must make an explicit statement that the KGK are not welcome in the KRG. After the statement and other actions like arrests, the KRG can expect the USG to weigh-in with the Turks to explain that extradition is a sensitive issue for the KRG, and to urge the GOT to re-think its demand.

¶16. (C) Saleh suggested the KRG/GOI/USG establish a joint operations center and, after positing PKK "eradication" as the desired outcome, pressed Ambassador Crocker for a road

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map to end the Turkish crisis. Ambassador Crocker outlined a three-step approach: First, an explicit policy declaration from the KRG saying the KGK is not welcome in the KRG; second, establishment of a joint operations center; third, an

invitation from President Gul to President Talabani to come to Turkey for in-depth discussion about the bilateral relationship. President Gul's invitation should not only extend to senior KRG leadership, it should explicitly welcome their inclusion in the Iraqi delegation. Saleh emphasized that Turkish raids would have to end before the policy declaration and if there were more attacks, Massud Barzani would demand Turkish troops withdraw from the KRG.

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